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March 27, 2002

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Mr. Stephen F. Cooper
Chief Executive Officer and Chief Restructuring Officer
Enron Corporation
1400 Smith St.
Houston, TX 77002

Dear Mr. Cooper:

Thank you for producing documents regarding Enron's 401(k) plan in response to my letter of January 12 to Kenneth Lay. I am writing to seek further information about some of the documents that you have produced. These documents relate to whether certain Enron employees may have been misinformed about the timing of the company's 401(k) lock-down last fall.

The lock-down was supposedly intended to allow employee account information to be transferred to a new 401(k) administrator. According to the documents you produced, the lock-down began at 3:00 p.m. on October 26, 2001, and was scheduled to last until November 20, 2001.¹ On November 14, 2001, Enron employees apparently received an e-mail informing them that the lock-down had ended, as of November 13.

As has been widely reported, the lock-down coincided with a steep drop in Enron's stock price. On October 16, 2001, when Enron reported a \$618 million third-quarter loss, the company's stock was trading at around \$34 per share. During the lock-down period, Enron stock lost over a third of its value. The closing price of Enron stock on October 26 was \$15.40; on November 14, the stock closed at \$10.

One of the documents you produced indicates that Enron employees at Portland General Electric (PGE) -- an Oregon utility Enron acquired in 1997 -- were repeatedly told that the lock-down would begin on October 19, rather than October 26. During the week from October 19 to October 26, Enron's stock price fell over 40%, from \$26.05 to \$15.40. Overall, from October 19

¹It appears that the transition to a new plan administrator actually began on October 19, 2001, but that employees were supposed to be able to change their 401(k) investments until October 26.

to November 14, the stock price plummeted by over 61%.

The document in question is a fax apparently sent by Joyce Bell at PGE to Mikie Rath, a benefits manager at Enron, on December 17, 2001. The fax indicates that PGE employees were repeatedly informed that the lock-down began on October 19, rather than October 26. A copy of this document, which is Bates stamped EC 23722 through EC 23728, is enclosed.

The fax includes four communications, which it identifies as “[t]he only communications that PGE issued to PGE employees.”² One of these communications is an e-mail that was sent on November 14 announcing that the lock-down was over. The other three communications all indicate that the transition period was to begin on October 19, rather than October 26.

One of the communications is a September 27, 2001, e-mail to all PGE employees stating that “a transition period of approximately one-month will begin Oct 19” and that during the transition period, participants “are not able to transfer funds among investment options” or “request a withdrawal.”³ The second document is an October 5, 2001, “Managers’ Monthly” newsletter, which identifies a transition period running from “10/19-11/20 (dates approximate)” and states that during the transition period participants “are not able to transfer funds among investment options” or “request a withdrawal.”⁴ The third document, which appears to be from an online company news source and is hand-dated October 18, simply states that the “Enron 401(k) Savings Plan transition begins Oct. 19” and refers employees to a booklet mailed to them for details.⁵

The fax also indicates that Enron employees at PGE did not receive reminders about the impending lock-down which contained the correct date. It states:

We did not receive the following Enron e-mails that are listed as having been sent to Enron employees worldwide:

Oct 16, 2001 email sent in evening to all active employees to remind about transition deadlines.

Oct 22, 2001 email sent in evening as reminder of transition period approaching.

²Bates Stamp EC 23722.

³Bates Stamp EC 23723. The document contains illegible handwriting. My staff requested but did not receive a legible copy.

⁴Bates Stamp EC 23724.

⁵Bates Stamp EC 23725.

Oct 26, 2001 email sent acknowledging concern over decision to move forward with transition.

NOTE: This was a time when the link between Enron and PGE was working intermittently at best.⁶

The three e-mails that PGE employees did not receive all indicated that October 26 was the last date to make certain changes to their 401(k) accounts.⁷

The fax lends support to the congressional testimony of an official with the union representing certain PGE employees that “[o]n September 28, 2001, the company notified the union that their 401(k) accounts would be ‘locked out’ beginning on approximately October 19, 2001 lasting for about one month while changing administrators.”⁸ The document also corroborates the testimony of a former non-PGE Enron employee that the company initially told employees that the lock-down would begin October 19 and that employees who did not receive subsequent communications correcting that mistake may not have known the correct date.⁹

⁶Bates Stamp EC 23722.

⁷The reference in the fax to an October 26 e-mail “acknowledging concern over decision to move forward with transition” appears to have the wrong date; the e-mail was apparently sent late on October 25.

⁸Prepared Testimony of William D. Miller, Jr., Business Manager & Financial Secretary, International Brotherhood of Electrical Workers Local 125, Senate Committee on Governmental Affairs, *Retirement Insecurity: 401(k) Crisis at Enron* (Feb. 5, 2002) (on line at http://www.senate.gov/~gov_affairs/020502miller.htm). Mr. Miller has separately indicated that this notice was given verbally.

⁹See Testimony of Deborah G. Perrotta, former Senior Administrative Assistant, Enron Corporation, Senate Committee on Governmental Affairs, *Retirement Insecurity: 401(k) Crisis at Enron* (Feb. 5, 2002) (FDCH Political Transcripts) (testifying that “We did receive in the mail, because I have two copies of it -- unfortunately, I don’t have it with me right now -- saying that it was going to start October 19th. It was a brochure that was sent to us. . . . But then we got a memo and there was also an e-mail saying it was going to start another time. So there was a conflict in time. So some people could have seen it on October 19th and figured, okay, they can’t get into their money then. . . . And the other people who got e-mails saying no, it’s going to start on the 26th. So it depends on where you were, if you were there, if you got e- mails, if you didn’t”).

Mr. Stephen F. Cooper
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I would appreciate your answering the following questions:

1. Were PGE employees informed that the 401(k) lock-down period would begin on October 19 and did they receive any communications correcting this apparent error?
2. Did Ms. Rath indeed receive the December 17 fax from Ms. Bell? If so, please identify (a) any persons employed by or affiliated with Enron to whom Ms. Rath disclosed the information contained in the fax, and (b) the date(s) when Ms. Rath made such disclosure(s).

In closing, let me also note that, while I appreciate your providing documents responsive to my January 12 request, I regret that you did not respond to any of the questions that I posed in that letter. A copy of the January 12 letter is enclosed and I would appreciate your responding to my questions at your earliest convenience.

Thank you again for your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Henry A. Waxman". The signature is fluid and cursive, with the first name "Henry" being more prominent.

Henry A. Waxman
Ranking Minority Member

cc: The Honorable Joseph I. Lieberman
Chairman, Senate Committee on Governmental Affairs

Mr. Saul M. Pilchen
Skadden, Arps, Slate, Meagher & Flom

Enclosures